

ANNUAL REPORT

THE RICE MARKETING BOARD
FOR THE STATE OF NEW SOUTH WALES



For the year ending 30 June 2018

26 September 2018



The Rice Marketing Board

FOR THE STATE
OF NEW SOUTH
WALES

The Honourable Niall Blair, MLC
Minister for Primary Industries,
Minister for Regional Water, and
Minister for Trade and Industry
52 Martin Place
Sydney NSW 2000

Dear Minister

In accordance with Section 9A of the *Annual Reports (Statutory Bodies) Act 1984*, we submit the Rice Marketing Board's Annual Report for the year ending 30 June 2018, for presentation to Parliament.

Yours sincerely

Victoria Taylor
(Chair)

John Culleton
(Deputy Chair)

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Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chair's Report

Highlights

It was pleasing to see that despite many challenges to the rice industry in New South Wales in 2017-18, production was still over 600,000 tonnes.

The Board spent the past year implementing the recommendations from the 2016 Review of Rice Vesting. An independent consultant has reviewed the Board's governance arrangements and Aither Pty Ltd were contracted by the Board to investigate the viability of developing the NSW rice industry outside the Murray and Riverina regions.

We farewelled our Deputy Chair, Noel Graham from the Board in December 2017, after an impressive 34 years of service to the rice industry. Doug Hocking completed his term of office in July 2018 after almost 10 years' service to the Board.

I was elected Chair of the Board after Robyn Clubb chose not to stand for the position this year. Robyn has made an enormous contribution to the Board. She joined the Board in 2004 and served as our Chair for the last 6 years. Robyn brings financial and commercial expertise to the Board, which has been invaluable as the industry has gone through structural changes over the last decade. Robyn has agreed to remain on the Board to see out her current term.

Governance Review

The Governance Review arose out of a recommendation from the Review of Rice Vesting by the NSW government in December 2016, after some submissions raised concerns about a perceived conflict of interest for elected Board Members and concerns about the treatment of commercial-in-confidence information. The independent review, undertaken in two parts by Nixon Clarity and Crowe Horwath, found that the Board is managing the potential for conflicts of interest and commercially sensitive information appropriately. The Board takes its responsibility to ensure a competitive domestic market very seriously and is pleased its processes stood up to independent scrutiny.

The Governance Review recommended that the Board's current governance arrangements be made more transparent to continue to address perceptions related to its structure. This includes developing Charters for the Board and its Committees, developing a Communications Plan, developing a Service Level Agreement with SunRice, reviewing the risk management framework and improving its policies. In addition, as recommended by the Review, the Board has contracted an independent probity adviser to assist with the implementation of these recommendations.

Viability of a Northern NSW Rice Industry

The review undertaken by Aither Pty Ltd on behalf of the Board during the year highlighted the interest that northern rivers growers have in producing rice. At the time of writing, the review had not been released by the Minister, however it was determined that there are a number of growers in the region growing small amounts of rice consistently, profitably and under contract. I followed this up with a visit to Lismore in June, also attended by Ricegrowers Association of Australia (RGA) President Jeremy Morton and Darren Budworth and Michael Rollin of the NSW Department of Primary Industries (DPI). The meeting was attended by 25 interested people and since then they have formed the Northern Rivers Rice Growers Association Inc. The Board looks forward to working with that group in the future to support their activities.

Authorised Buyers

There are now eleven Authorised Buyers holding licences to market rice grown in NSW to the domestic market. Further details of the Authorised Buyers are available on the Board website or from the Secretary of the Board.

Financial Performance

For the year ending 30 June 2018, the Board recorded a break-even position. The Board continues to recover its expenses through the Authorised Buyer licence fees, set at \$0.49 per tonne for 2017-18. It also maintains adequate funds to provide for two years of operating expenses as Reserves.

Proposed SunRice Listing

The holder of the Sole and Exclusive Export Licence, Ricegrowers Limited (SunRice) has proposed to its shareholders that it transfer from the National Stock Exchange to the Australian Securities Exchange. The Board has reviewed this proposal, to ensure that it is in the best interests of all NSW growers. The Board concluded that there is no change of control and therefore the Board's approval is not required for the proposal to proceed. It also concluded that the proposal would not impact on the current vesting arrangement. This proposal will go to a shareholder vote in September 2018.

Board Membership

An election of three Board Members in late 2017 resulted in the return of Gillian Kirkup and John Bradford, and the election of Ian Mason. Ian replaces Deputy Chair Noel Graham who did not seek re-election to the Board. Gillian, John and Ian have been appointed to the SunRice Board in line with the Sole and Exclusive Export Agreement with SunRice.

John Culleton and Doug Hocking were re-appointed to the Board in July 2017, for a one year term. At the end of that period Doug's term expired, while John has been re-appointed for a four year term. Replacing Doug is Adam Boyton, who has excellent credentials as an economist with market analytical skills.

Robyn Clubb stood down as Chair at the end of 2017 and was replaced by Victoria Taylor. John Culleton is the new Deputy Chair.

Appreciation

The Board appreciates the on-going support provided by Minister Niall Blair and his staff. Thanks also to Scott Hansen, Director General of DPI and his staff. I would also like to acknowledge Darren Budworth and Michael Rollin at DPI for facilitating the work of the Board.

The Board was pleased to co-sponsor the RGA Annual Conference, the RGA's Leadership Program as well as the Young Farming Champions program, all great initiatives by the RGA to promote the future of the rice industry. Thanks go to President Jeremy Morton and Executive Director Graeme Kruger for their leadership of the rice industry.

I would like to thank all the Board members for supporting me in my new role as Chair and for their continued effort for the good of the NSW rice industry. Thanks also to Board Secretary, Ms Carol Chiswell for continuing to support the Board in her efficient way.

Thanks to the eleven authorised buyers for their contribution to the efficient marketing system that the NSW rice industry enjoys.

I would also like to thank the rice growers of NSW, for their commitment to the NSW rice industry, and I look forward to working with you in the future.

Victoria Taylor
Chair

Board Members



Back row, left to right: Robyn Clubb, John Bradford, Gillian Kirkup, Ian Mason
Seated: Victoria Taylor (Chair), John Culleton (Deputy Chair)

BOARD MEMBERS QUALIFICATIONS

Victoria Taylor, Chair, Grad Cert (Water Policy & Governance), GIA (Cert), GIACD
 John Culleton, Deputy Chair, CSC, BA, psc, pcfsc, GAICD
 Robyn Clubb, BEc, CA, F.Fin, MAICD
 Douglas Hocking, DHA, GDE, GCM
 Gillian Kirkup, MAICD
 John Bradford, MAICD
 Ian Mason



Absent:
Mr Douglas Hocking,
whose term expired
on 26/7/18

BOARD MEMBERS MEETINGS

MEMBERS	BOARD MEETINGS		ABL COMMITTEE		AUDIT AND RISK		GOVERNANCE	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
V.L. Taylor	13	13	5	5	0	0	0	0
R. Clubb	13	13	5	4	1	1	0	0
N.G. Graham	5	3	0	0	0	0	0	0
G.L. Kirkup	12	10	0	0	2	2	0	0
D.F. Hocking	12	11	4	4	0	0	0	0
J.J. Culleton*	9	9	3	3	1	1	0	0
J. M. Bradford	12	11	0	0	1	1	0	0
I.R. Mason	7	7	0	0	0	0	0	0

*Mr Culleton was granted a leave of absence from April to May 2018.

BOARD STRUCTURE

The Board consists of seven members, three of whom are elected by growers, and four who are nominated by the NSW Minister for Primary Industries. An election was held in late 2017 and Mrs Kirkup and Mr Bradford were re-elected. Mr Mason was also elected. Mr Graham chose not to stand for re-election.

Mr Culleton and Mr Hocking's terms expired on 29/5/17 and they were re-appointed on 27/7/17 for one year. Mr Culleton was subsequently re-appointed for a four year term commencing 3/8/18.

Board members have attended various industry meetings and have represented the Board at government, industry and other delegations.

MANAGEMENT

The Secretary is the Board's only employee and is responsible to the Board for the management of finance, administration and compliance. The current Secretary is Carol Chiswell, CPA, MCom (Accounting), BA.



Charter

The Rice Marketing Board for the State of New South Wales was the first commodity marketing board established in New South Wales under the *Marketing of Primary Products Act 1927*, now replaced by the *Rice Marketing Act 1983*, and was officially constituted by Proclamation on 9th November 1928.

The Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing. It operates under the authority of and in accordance with the *Rice Marketing Act 1983*, the *Public Finance and Audit Act 1983* and the *Annual Reports (Statutory Bodies) Act 1984*.

The Charter is available from the Board's website www.rmbnsw.org.au.

Objects

1. To encourage the development of a competitive domestic market for rice.
2. To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of the Australian grown rice.
3. To liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

Governance

The Board's primary role is to ensure the achievement of its Charter and Objects.

To fulfil this role the Board Members are responsible for the overall corporate governance of the organisation, including setting its strategic direction, establishing goals and monitoring the achievement of those goals by Management.

During 2017-18 an independent review of the Board's governance arrangements was undertaken. The Board is currently implementing the recommendations of that review. More information is available on the Board's website at www.rmbnsw.org.au.

CHARTERS, BUSINESS PLAN AND BOARD SUB-COMMITTEES

The Board's activities are guided by a Charter and Business Plan. The Board Charter and Committee Charters are available from the Board's website at www.rmbnsw.org.au.

There are three sub-committees that undertake detailed consideration of specific issues and provide for appropriate governance arrangements in support of the Board.

The sub-committees comprise:

- Authorised Buyer Licensing Committee
- Governance, Nominations and Remuneration Committee
- Audit and Risk Committee.

The Authorised Buyer Licensing Committee's responsibilities include:

- Administer the authorised buyer licensing scheme
- Review licensee annual returns
- Liaise with authorised buyers
- Make recommendations for changes to the licensing rules.

The Governance, Nominations and Remuneration Committee's responsibilities include:

- Review Board composition, induction program and role statement
- Review RMB policies, procedures and practices
- Review Board governance procedures and decision making processes.

The Audit and Risk Committee's responsibilities include:

- Review engagement and methodology of external auditors
- Review risk profile as the basis of the external audit program
- Monitor external auditors and management and report to the Board on:
 - a) Financial reporting processes
 - b) Compliance with legislation and regulation, accounting policies and internal controls
 - c) Audit outcomes and actions
 - d) Performance of auditors
- Review completeness and accuracy of the financial statements prior to consideration and approval by the Board
- Review emerging risks identified by the Board or management and ensure risks are appropriately addressed.
- Review financial management objectives and plan.

BOARD PROCESS

The Board generally holds eleven scheduled board meetings each year with non-scheduled meetings and sub-committee meetings being held when necessary. The agenda for meetings is prepared in conjunction with the Chair. Standing items include monitoring performance in relation to the Board's regulatory and legislative objectives, financial reports, short and long-term financing programs and monthly performance monitoring of the sole and exclusive export licence holder, Ricegrowers Limited (trading as SunRice). Board papers are circulated in advance.

COMPOSITION OF THE BOARD

Three Board Members are elected for four year terms by those rice growers who are eligible and choose to vote. Four Board Members are nominated by the Minister for Primary Industries and appointed by the Governor of NSW, usually for a term of four years. The nominated Members are from outside the rice industry and bring additional expertise in agriculture, corporate governance, finance, business administration, communications and stakeholder engagement to the Board. The Chair and Deputy Chair are selected from the Board's nominated members.

REMUNERATION

The Board approves the remuneration of its employee. The Board recommends the remuneration of its Members to the Minister for approval. Board Members fees are based on the Classification and Remuneration Framework for NSW Government Boards and Committees. All necessary expenses incurred by Board Members whilst attending to Board business are paid by the Board. Funding of the Board is met by the Industry.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO BOARD INFORMATION

Each Member of the Board has the right of access to all relevant Board information unless it constitutes a conflict of interest. Subject to prior consultation with the Chair, Members may seek independent professional advice at the Board's expense. A copy of the advice received by the Member is made available to all Members of the Board.

AUDIT

The Board's financial accounts are audited by the Auditor General for New South Wales. The Auditor General has, with the involvement of the Board, subcontracted the audit to Johnsons MME for the year 2017-18.

WORKFORCE DIVERSITY

The Secretary is the Board's only employee. The Board is committed to actively developing and maintaining diversity where it has influence, ensuring it operates free of discrimination and reflecting the New South Wales community in which it functions.

DISABILITY PLANS

The Board is committed to the principle of disability inclusion to remove physical, communication and attitudinal barriers. As a single employee organisation, the Board has not developed or implemented a Disability Inclusion Action Plan for its workforce.

SUSTAINABILITY

The Board is conscious of the need to maintain a sustainable environment that meets the needs of the present without compromising for future generations. Waste is reduced through recycling within the office, and the Board has a preference for telecommunications meetings to reduce travel when possible. The Annual Report is reproduced at zero external cost and stakeholders are encouraged to access the report via the Board's website.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT

The Board received one valid *Government Information (Public Access) Act 2009* (GIPA) application during 2017-18. The application sought access to information that involved consultation with a third party and subsequently access was granted in part. The application was subject to an Information Commissioner's Review that had not been finalised by the end of the financial year.

Rice growers are able to discuss Board decisions and policies with Board members at rice industry meetings, and have the opportunity to question the Board's decisions and policies at the Annual meeting or by contacting the Secretary at any time.

PUBLIC INTEREST DISCLOSURES

There were no public interest disclosures in 2017-18.

PRIVACY

The Board respects the privacy of all its stakeholders and complies with the *Privacy and Personal Information Protection Act 1998*. No complaints regarding breaches of privacy were received during the reporting period. The Board's Privacy Policy is available on its website.

WORK HEALTH AND SAFETY

The Board had no injuries or prosecutions under the *Work Health and Safety Act 2011* during the year.

MULTICULTURAL POLICIES AND SERVICES PROGRAM

The Board is committed to the principles of Multiculturalism and maintains a multicultural plan in accordance with the Multicultural Policies and Services Plan of Multicultural NSW. The NSW Rice Industry is primarily located in the ethnically diverse Riverina and Murray regions of New South Wales. The Board regularly reviews the cultural diversity of its stakeholders, adapts to the needs of the community and represents fairly and equally the interests of all rice producers irrespective of their ethnic background. In providing services the Board Members and employee are sensitive to the cultural, social and religious differences of their clients.

In 2017-18 the Board progressed its Multicultural Plan by continuing to monitor and improve on services provided to people from diverse backgrounds. In 2018-19 the Board intends to focus on targeting programs to address specific needs of its stakeholders.

FINANCIAL MANAGEMENT

Consultants

The Board engaged Aither Pty Ltd to perform an independent review into the potential viability of developing the NSW rice industry outside the Riverina and Murray regions. The total cost of that engagement was \$58,900 (excluding GST).

Investment Performance

The Board invests funds on the short term money market at rates that are comparable to Treasury Corporation cash rates.

Payment of Accounts

It is the Rice Marketing Board's target to pay 95% of invoices within 30 days. This target has been achieved for the year.

Credit card certification

The Secretary holds the only credit card issued to the Board. All credit card payments are reviewed and approved by the Chair and ratified at the next Board meeting.

ETHICAL STANDARDS

All Board Members and the employee are required to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Rice Marketing Board. The Board is committed to the objectives of the ethical framework as identified in the *Public Sector Employment and Management Act 2002*. A Code of Conduct is in place and all members and the employee have signed a Code of Conduct Declaration and Undertaking, and a Pecuniary Interests Declaration and Undertaking during 2017-18. The Code of Conduct is available from the Board's website at www.rmbnsw.org.au.

RISK MANAGEMENT AND INSURANCE

The Board has a risk management framework, a risk register and also identifies emerging risks at each meeting. It has also implemented policies to mitigate risks where possible. The Board holds insurance coverage in management liability, professional indemnity, travel, work cover and business property, theft and public liability.

**Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial year for
The Rice Marketing Board for the State of New South Wales**

I, Victoria Taylor, am of the opinion that The Rice Marketing Board for the State of New South Wales has internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements

Risk Management Framework

- | | | |
|-----|--|-----------|
| 1.1 | The agency head is ultimately responsible and accountable for risk management in the agency | Compliant |
| 1.2 | A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009 | Compliant |

Internal Audit Function

- | | | |
|-----|--|---------------|
| 2.1 | An internal audit function has been established and maintained | In transition |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | In transition |
| 2.3 | The agency has an Internal Audit Charter that is consistent with the content of the 'model charter' | In transition |

Audit and Risk Committee

- | | | |
|-----|---|---------------|
| 3.1 | An independent and Audit and Risk Committee with appropriate expertise has been established | In transition |
| 3.2 | The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations | Compliant |
| 3.3 | The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter' | Compliant |

Membership

The chair and members of the Audit and Risk Committee are:

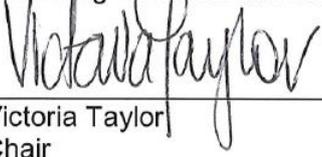
- Independent Chair, Robyn Clubb, 1/1/2018-31/12/2018
- Member 1, Gillian Kirkup, 1/1/2018-31/12/2018
- Member 2, John Culleton, 1/1/2018-31/12/2018

Departures from Core Requirements

I, Victoria Taylor, advise that the internal audit and risk management processes for The Rice Marketing Board for the State of New South Wales depart from the following core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*:

The departure from the core requirements is due to the agency implementing measures to achieve compliance with new policy requirements consistent with the permitted transitional arrangements.

These processes, including the practicable alternative measures being implemented, demonstrate that The Rice Marketing Board for the State of New South Wales has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within The Rice Marketing Board for the State of New South Wales


Victoria Taylor
Chair

Contact Officer: Carol Chiswell
Board Secretary
Ph 02 6953 3200

Statement by Members of the Board

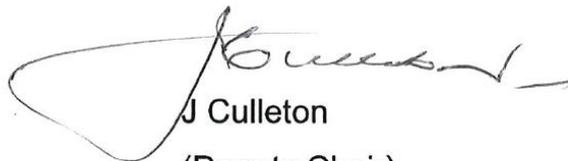
Under section 41C of the *Public Finance and Audit Act, 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales at 30 June 2018 and its performance for the year then ended.

We further state:

- (a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.
- (b) that we are not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



V Taylor
(Chair)



J Culleton
(Deputy Chair)

Dated 26 September 2018

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2018

	Notes	2018 \$ 000's	2017 \$ 000's
REVENUE			
Authorised Buyer's Fees	2	313	255
Sole and Exclusive Export Agreement	2	221	216
Other income		<u>2</u>	<u>-</u>
		<u>536</u>	<u>471</u>
EXPENSES			
Audit Fees		(16)	(16)
Legal and Consultancy Fees	3	(103)	(44)
Depreciation	8	(13)	(13)
Members' Fees		(136)	(147)
Members' Superannuation		(13)	(14)
Employee Expenses	4	(163)	(149)
Insurance		(18)	(15)
Rent		(36)	(36)
Travel		(37)	(36)
Sundry Charges		<u>(34)</u>	<u>(28)</u>
		<u>(569)</u>	<u>(498)</u>
Finance Income	5	33	27
Net Surplus for the Year		<u>-</u>	<u>-</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompany notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$ 000's	2017 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	1,614	809
Trade and Other Receivables	7	339	265
Total Current Assets		<u>1,953</u>	<u>1,074</u>
Non-Current Assets			
Property, Plant and Equipment	8	1	14
Total Non-Current Assets		<u>1</u>	<u>14</u>
Total Assets		<u>1,954</u>	<u>1,088</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	9	55	81
Prepaid Sole and Exclusive Export Agreement	10	221	-
Provisions	11	9	4
Total Current Liabilities		<u>285</u>	<u>85</u>
Non-Current Liabilities			
Prepaid Sole and Exclusive Export Agreement	10	664	
Provisions	11	3	1
Total Non-Current Liabilities		<u>667</u>	<u>1</u>
Total Liabilities		<u>952</u>	<u>86</u>
NET ASSETS		<u>1,002</u>	<u>1,002</u>
EQUITY			
Retained Earnings		1,002	1,002
TOTAL EQUITY		<u>1,002</u>	<u>1,002</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2018

	Notes	2018 \$ 000's	2017 \$ 000's
		<u> </u>	<u> </u>
Equity at the beginning of the financial year		1,002	1,002
Net surplus for the year		-	-
Other comprehensive income		-	-
Equity at the end of the financial year		<u><u>1,002</u></u>	<u><u>1,002</u></u>

The statement of changes in equity should be read in conjunction with the accompanying notes

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2018

	Notes	2018 \$ 000's	2017 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		1,491	587
Interest received		22	21
Payments			
Cash payments to creditors and suppliers		(691)	(519)
Net cash provided by operating activities	15(b)	822	89
CASH FLOW FROM FINANCING ACTIVITIES			
Equity rollover and redemptions		(17)	(4,437)
Receipt of equity contributions		-	4,425
Net cash used In financing activities		(17)	(12)
Net increase/(decrease) in cash and cash equivalents		805	77
Cash and cash equivalents at the beginning of the year		809	732
Cash and cash equivalents at the end of the year	15(a)	1,614	809

The statement of cash flows should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2018

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) REPORTING ENTITY

The Rice Marketing Board for the State of New South Wales was created by proclamation on 9th November 1928 under the now repealed *Marketing of Primary Products Act*, now replaced by the *Rice Marketing Act 1983*. Its office is located in Leeton New South Wales. The Rice Marketing Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing. The financial statements were authorised for issue by the Board on 26 September 2018.

Under AIFRS there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting requirements. The Board has analysed its purposes and operating philosophy and determined that it does not have profit generation as its prime objective. Consequently where appropriate the Board has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) GENERAL

The Rice Marketing Board's financial statements are general purpose financial statements, which have been prepared in accordance with:

- Applicable Australian Accounting Standards;
- Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- The requirements of the New South Wales *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2015;
- Financial Reporting Directions mandated by the Treasurer.

The financial statements are prepared in accordance with the historical cost convention and on an accruals basis. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies set out below have been consistently applied to all years presented.

The financial statements have been prepared on a going concern basis.

(c) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Authorised Buyers Licence

The Authorised Buyers Licence has a base fee charged in advance each year and a variable fee applied on a per tonne basis charged in arrears annually. Both fees are recognised as and when the fees are received or become receivable in accordance with Authorised Buyer's Licence conditions.

Sole and Exclusive Export Agreement

The Sole and Exclusive Export Agreement is recognised as and when the fee is received or becomes receivable in accordance with the Sole and Exclusive Export Agreement conditions. The Sole and Exclusive Export Agreement fee received in respect of future accounting periods is not recognised as revenue, but rather deferred to a liability called Sole and Exclusive Export Agreement received in advance.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(c) REVENUE (continued)

Interest

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

(d) BORROWING COSTS

The Board has no borrowings that incur interest.

(e) INCOME TAX

The entity is exempt from income tax pursuant to section 50-52 of the *Income Tax Assessment Act 1997*.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and other short term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(g) TRADE AND OTHER RECEIVABLES

Receivables are recognised at the amount recoverable as they fall due for settlement. Trade receivables are held at original invoice amount.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

(h) PREPAYMENTS

Prepayments are recognised where funds have been paid in advance of which future economic benefits are expected to flow to the entity in return for the funds paid.

(i) PROPERTY PLANT AND EQUIPMENT

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Each class of property, plant and equipment is carried at their fair value less, where applicable, any accumulated depreciation. Plant and Equipment have been brought to account at historic cost less depreciation. Assets are written off over their assessed economic life by the use of the straight-line method of depreciation.

Assets are depreciated at the following rates per annum:-

Office & computer equipment 20.0% - 33.3%

(j) IMPAIRMENT OF ASSETS

The carrying amounts of the Board's assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which, the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the Board is deemed a not-for-profit entity for reporting purposes, the value in use is the depreciated replacement cost.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2018

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) TRADE AND OTHER PAYABLES

Accounts payable are recognised for future amounts to be paid in respect of goods and services received at balance date, whether or not they have been invoiced. Settlement of accounts payable is normally effected within a 30 day term. Due to the short term nature of payables, measurement at invoice amount is not materially different from amortised cost.

(l) EMPLOYEE PROVISIONS

Employee Benefits

A provision is made for the Board's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits.

An employee benefit liability is classified as a current liability if the Board does not have an unconditional right to defer settlement of the liability for at least 12 months. This includes all annual leave and unconditional long service leave, irrespective of when the liability is expected to be settled.

Superannuation

Superannuation expenditure relates to payments of the basic benefit for eligible employees to a privately administered superannuation plan.

(m) FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at fair value less attributable transaction costs. Subject to initial recognition these instruments are measured as set out below.

Receivables

Receivables are non-derivative financial assets with determinable payments that are not quoted on an active market and are stated at amortised cost using the effective interest rate method. All receivables at balance date are current and a provision for impairment has been raised for receivables considered doubtful of collection.

(n) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated net of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

(o) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2018

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(p) ACCOUNTING POLICIES

Effective for the first time in 2017/18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time in 2017/18. There is no impact to the Board's financial statements of these revised Australian Accounting Standards.

Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Accounting Standards have not been applied and are not yet effective:

- *AASB 9 Financial Instruments* applies to annual periods beginning on or after 1 January 2018. *AASB 9 Financial Instruments* will replace *AASB 139 Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. *AASB 9 Financial Instruments* also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.
- *AASB 15 Revenue from Contracts with Customers* (and associated amending standards *AASB 2014-5*, *AASB 2015-8*, *AASB 2016-3*, *AASB 2016-7* and *AASB 2016-8*) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. *AASB 15 Revenue from Contracts with Customers* establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers.
- *AASB 1059 Service Concession Arrangements* is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset.
- *AASB 16 Leases* replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, *AASB 16 Leases* will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under *AASB 117 Leases*. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense. NSW Treasury has mandated modified retrospective application of this accounting standard, by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019.
- *AASB 1058 Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

Potential impact

It is expected that *AASB 16 Leases* will require an increase to the total assets and liabilities on the balance sheet. Depreciation expense will be booked on Right of Use assets, which will be on a straight line basis. It is expected that the *AASB 16 Leases* will be adopted on the required effective date in line with NSW Treasury's instructions.

It is considered that the implementation of the other issued but not yet effective Australian Accounting Standards will not have a material impact on the Board's financial statements.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2018

NOTE 2 AUTHORITY BUYER LICENCES AND SOLE AND EXCLUSIVE EXPORT AGREEMENT

The NSW domestic rice market was deregulated effective from 1 July 2006. As a result of deregulation Authorised Buyer Licences have been issued to appropriate bodies and persons by the Board. The Agency Agreement has been replaced by the Domestic Authorised Buyers Licences and the Sole and Exclusive Export Agreement.

The Sole and Exclusive Export Agreement was executed on 30 June 2006 and was effective from 1 July 2006 for an initial term of five years to 1 July 2011. The Agreement was renewed for another five year term from 1 July 2011 to 1 July 2016. A one year term was agreed for the 2016-17 year. A further 5 year term has been negotiated until 30 June 2022. At any time, either party may terminate the Sole and Exclusive Export Agreement by giving the other party at least 5 years written notice of termination.

Authorised Buyers pay a fixed annual fee of \$500 per year. The Board has recognised it requires operating capital and has retained the prepaid Sole and Exclusive Export Agreement fee as its operating capital. The Board has therefore adopted a full cost recovery policy for the term of the current Sole and Exclusive Export Agreement. After accounting for this combined income the Board levies Authorised Buyers with the balance of its operating shortfall (if any) for the period based on the percentage of the total rice crop each Authorised Buyer has procured.

The amount recognised as income for the year ended 30 June 2018 was \$534,099 (\$471,387 in 2017).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2018 \$000's	2017 \$000's
Legal Fees and Expenses Incurred	1	26
Election expenses	16	-
Independent Review - Potential to expand the rice industry	60	-
Probity Adviser fees	4	-
Independent Experts Report - verification export price premium	22	18
	103	44

During the year, the Rice Marketing Board engaged advisers for various legal and accounting matters.

NOTE 4 EMPLOYEE EXPENSES

	2018 \$000's	2017 \$000's
Wages & Salary	136	124
Annual Leave	11	11
Long Service Leave	2	1
Superannuation	14	13
	163	149

NOTE 5 FINANCE INCOME

	2018 \$000's	2017 \$000's
Bank Interest	33	27

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 6 CASH AND CASH EQUIVALENTS

	2018 \$000's	2017 \$000's
Cash at Bank	169	174
Cash on Deposit	1,445	635
	1,614	809

NOTE 7 TRADE AND OTHER RECEIVABLES

	2018 \$000's	2017 \$000's
Current		
Authorised Buyers	307	248
Accrued interest	24	10
Other	8	7
	339	265

All receivables recognised in the Statement of Financial Position are, in the opinion of the Rice Marketing Board, fully collectable.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2018 \$000's	2017 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	70	70
Accumulated Depreciation	(69)	(56)
	1	14
TOTAL PROPERTY, PLANT AND EQUIPMENT	1	14

	Year ended 30 June 2018	Year ended 30 June 2017
Description	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2017	14	27
Additions	-	-
Depreciation	(13)	(13)
Closing WDV 30 June 2018	1	14

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 9 TRADE AND OTHER PAYABLES

	2018 \$000's	2017 \$000's
Payables	37	46
Unclaimed grower equity repayments	18	35
	55	81

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

NOTE 10 PREPAID SOLE AND EXCLUSIVE EXPORT AGREEMENT FEE

	2018 \$000's	2017 \$000's
Prepaid Sole and Exclusive Export Agreement Fee (Current)	221	-
Prepaid Sole and Exclusive Export Agreement Fee (Non Current)	664	-
Total Prepaid Sole and Exclusive Export Agreement Fee	885	-

NOTE 11 PROVISIONS

	2018 \$000's	2017 \$000's
Current		
Annual Leave	9	4
Non-Current		
Long Service Leave	3	1
	12	5

All annual leave liabilities are expected to settle within 12 months.

NOTE 12 FINANCING ARRANGEMENTS

The Rice Marketing Board has access to the following lines of credit:

	2018 \$000's	2017 \$000's
Bank overdrafts	2,500	2,500
Total	2,500	2,500
Facilities utilised at reporting date		
Bank overdrafts	-	-
Total	-	-
Facilities not utilised at reporting date		
Bank overdrafts	2,500	2,500
Total	2,500	2,500

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 13 FINANCIAL INSTRUMENTS

13(a) Interest rate risk exposures

The Rice Marketing Board's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

2018	Floating Interest Rate	Fixed Interest Rate Maturing in		Non-Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years			
	\$000's	\$000's	\$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	169	1,445	-	-	1,614	2.59%
Trade and other receivables	-	-	-	339	339	n/a
Total financial assets	169	1,445	-	339	1,953	
Financial Liabilities						
Trade and other payables	-	-	-	55	55	n/a
Other liabilities	-	-	-	885	885	n/a
Total financial liabilities	-	-	-	939	939	

2017	Floating Interest Rate	Fixed Interest Rate Maturing in		Non-Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years			
	\$000's	\$000's	\$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	174	200	435	-	809	2.09%
Trade and other receivables	-	-	-	265	265	n/a
Total financial assets	174	200	435	265	1,074	
Financial Liabilities						
Trade and other payables	-	-	-	81	81	n/a
Total financial liabilities	-	-	-	81	81	

13(b) Credit risk exposures

The credit risk on financial assets is generally the carrying amount disclosed on the Statement of Financial Position.

13(c) Net fair values

For all financial assets and financial liabilities it is considered that carrying values as disclosed in the Statement of Financial Position reflect the net fair values.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2018

NOTE 13 FINANCIAL INSTRUMENTS (continued)

13(d) Financial Risk Management

The Rice Marketing Board's activities expose it to credit and liquidity risks. The Board's overall risk management program focuses on the key risk of unpredictability in financial markets and seeks to minimise potential adverse affects on the financial performance of the Board.

- a) Credit risk
Credit risk arises from cash and cash equivalents, deposits and bills with banks as well as credit exposures including outstanding receivables. The maximum exposure to credit risk at balance date is the carrying amount of financial assets as summarised in Note 13(a). To manage its credit risk the entity invests in term deposits to maximise its return on surplus funds while reducing the potential effect of the short term unpredictability of financial markets and the effect this may have on its return on surplus funds. Due to the size and fixed nature of the term deposits at balance date the entity's exposure to credit risk is considered immaterial to the overall profitability of the entity.
- b) Liquidity risk
Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in Note 13(a). To manage its liquidity risk the entity monitors its cash flow requirements on a monthly basis to maintain sufficient cash to pay its debts as and when they fall due.
- c) Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Board's income or the value of its obligations, and arises on floating rate debt.

Cash flow sensitivity analysis for variable rate financial instruments

The Board is not exposed to any cash flow sensitivity relating to interest rate shock on borrowings.

NOTE 14 RELATED PARTY TRANSACTIONS

14(a) Key Management Personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Rice Marketing Board either directly or indirectly. The key management personnel comprise the directors and executives who are responsible for the financial and operational management of the Rice Marketing Board.

Compensation paid to key management personnel of the company was as follows:

	2018 \$000's	2017 \$000's
Short-term employee benefits	281	283
Post-employment benefits	27	27
	308	310

14(b) Transactions with Related Parties

During the year the Board did not enter into any transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 15 NOTES TO THE STATEMENT OF CASHFLOWS

15(a) Reconciliation of Cash at End of Year

	<u>2018</u> \$000's	<u>2017</u> \$000's
Cash at bank and on deposit	1,614	809
Cash at end of year	<u>1,614</u>	<u>809</u>

Definition of Cash for cash flow purposes includes cash on hand and at bank and term deposits.

15(b) Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	<u>2018</u> \$000's	<u>2017</u> \$000's
<u>Net surplus for the year</u>	-	-
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	13	13
<u>Asset and Liabilities Movements:</u>		
(Increase)/Decrease in Trade and other receivables	(74)	55
Increase/(Decrease) in Trade and other payables	(9)	20
Increase/(Decrease) in Other liabilities	885	-
Increase/(Decrease) in Provisions	7	1
Net cash provided by operating activities	<u>822</u>	<u>89</u>

NOTE 16 CONTINGENT LIABILITIES

No contingent liabilities are known to exist at the time of signing these statements (2017: Nil).

NOTE 17 EVENTS OCCURRING AFTER REPORTING DATE

No after balance date events are known to exist at the time of signing these statements.

NOTE 18 SEGMENT REPORTING

The Rice Marketing Board is based in Leeton, NSW. It derives its income from licensed Authorised Buyers via fixed and variable fees. The fixed fees include the Authorised Buyer Annual Application Fee and Sole and Exclusive Export Agreement Fee. The variable fee is based upon the percentage of the total rice crop each Authorised Buyer has procured from producers of paddy rice grown within New South Wales.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2018

NOTE 19 CAPITAL EQUITY ROLLOVER SCHEME

Until 22 July 2016 the Board was reliant on Australian Grain Storage Pty Ltd being able to repay its outstanding debt to the Board to enable the Board to repay grower equity loans as and when they fell due. The Rice Marketing Board was therefore economically dependent on Australian Grain Storage Pty Ltd by virtue of the size and nature of business transacted between the two entities.

A bank guarantee was in place to secure Australian Grain Storage Pty Ltd's debt until the final payment was made. On 22 July 2016 Australian Grain Storage Pty Ltd paid the final instalment of the debt outstanding to the Board. The final rollover payment to growers under the Capital Equity Rollover Scheme took place on 27 July 2016.

NOTE 20 COMMITMENTS FOR EXPENDITURE

	2018	2017
	\$000's	\$000's
Operating lease commitments:		
Within one year	6	6
	<u>6</u>	<u>6</u>

There were no other capital or other commitments at 30 June 2018 (2017: Nil) other than that disclosed above.

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Rice Marketing Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rice Marketing Board (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Board in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Board's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The members of the Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Members of the Board.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Board will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



C J Giumelli
Director, Financial Audit Services

10 October 2018
SYDNEY

Budget

Actual 2017/18 \$000's	Budget 2017/18 \$000's		Budget 2018/19 \$000's
INCOME			
313	343	Authorised Buyers' Licence Fees	350
221	221	Sole & Exclusive Export Licence Fee	221
33	30	Interest Received	38
2	1	Miscellaneous Income	30
569	595		639
EXPENDITURE			
(1)	(1)	Advertising	(1)
(16)	(16)	Audit Fees	(16)
(2)	(2)	Bank Charges	(2)
(3)	(14)	Legal & Consultancy Fees	(40)
(13)	(13)	Depreciation	(5)
(5)	(4)	Information Systems	(13)
(18)	(20)	Insurances	(20)
(136)	(136)	Members' Fees	(150)
(13)	(13)	Members' Superannuation	(14)
-	-	Audit and Risk Committee fees	(18)
(2)	(2)	Postage & Couriers	(2)
(36)	(36)	Rent of Premises	(36)
(159)	(159)	Staff Employment Costs	(168)
(6)	(6)	Telephone	(7)
(37)	(35)	Travel - Members & Staff	(35)
(7)	(8)	Sundry Charges	(3)
(11)	(19)	Grower Relations	(21)
-	(1)	Training	(8)
-	-	Market Research Expenses	(30)
(23)	(23)	Verification Export Price Premium	(30)
(61)	(61)	Expansion Review	-
(16)	(16)	Election costs	-
(4)	(10)	Probity Advisor	(20)
(569)	(595)		(639)
-	-	Operating Surplus/(Deficit)	-
-	-	Capital Expenditure	11

Statistical Summary

New South Wales Only

		2018 Crop	2017 Crop	2016 Crop	2015 Crop	2014 Crop
Number of farms producing rice	MIA	307	382	220	351	338
	CIA	136	201	87	195	209
	MV	488	596	101	559	746
	Nth NSW*	7+	7+	4	4	4
	TOTAL	938+	1,186+	412	1,109	1,297

Production (tonnes)	MIA	233,478	308,511	152,951	254,031	233,760
	CIA	71,871	109,316	39,849	97,638	115,466
	MV	316,606	381,016	51,384	333,540	476,647
	Nth NSW*	3,857	833	603	419	193
	TOTAL	625,812	799,676	244,787	685,628	826,066

Harvested Area (hectares)	MIA	20,953	29,134	13,382	23,153	20,944
	CIA	7,396	11,795	3,980	10,003	11,347
	MV	31,241	39,158	4,884	32,977	46,229
	Nth NSW*	-	-	220	132	87
	TOTAL	59,590+	80,087+	22,466	66,265	78,607

Average Yield (Tonnes/Hectare)	MIA	11.14	10.6	11.4	11.0	11.2
	CIA	9.72	9.27	10.0	9.8	10.2
	MV	10.13	9.7	10.5	10.1	10.3
	Nth NSW	-	-	2.7	3.2	2.2
	AVERAGE	10.5 est.	10.0 est.	10.9	10.4	10.5

*Some information not available for Northern Rivers



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**7th Annual Report to NSW Rice Growers
October 2018**

A report to New South Wales rice growers on the performance of the Board against its stated objectives and on the performance of SunRice as the holder of the Sole and Exclusive Export Licence.

Introduction

The Rice Marketing Board for the State of NSW (the Board) is pleased to present the seventh annual report to New South Wales rice growers on the performance of the Board against its stated objectives, and on the performance of SunRice as the holder of the Sole and Exclusive Export Licence (SEEL).

The *Rice Marketing Act 1983* (the Act) directs that all rice produced in NSW be vested in the Board. Vesting is based on the proposition that providing a single statutory authority, the Board, with the legal right to control the marketing of rice produced in NSW will yield net benefits to the NSW rice industry and to the general community.

In 2006, the domestic rice market was deregulated, and the Board now issues licences to Authorised Buyers who trade NSW rice within Australia. In 2017 the Board re-appointed Ricegrowers Limited, trading as SunRice, (SunRice) as the holder of the SEEL for the next five years, subject to an annual review.

A Proclamation by the NSW Governor outlines the objectives of the Board as:

- (a) To encourage the development of a competitive domestic market for rice;
- (b) To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice; and
- (c) To liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.¹

Section A of this document reports on the performance of the Board against these objectives. Section B provides an assessment of the performance of SunRice as the SEEL holder, based on independent verification of the export price premium and the freight scale advantage by Syneca Consulting Pty Ltd.

Section A

The Board's performance against its stated objectives

- (a) The Board continues to encourage a competitive domestic market for rice by facilitating participation in the market in the following ways:
 - Reviews licence holders annual returns;
 - Regularly reviews the fee schedule for authorised buyers;
 - Meets with Authorised Buyers;
 - Provides information to rice growers and buyers, for example on the provision of rice seed supplies; and
 - Manages an annual audit of the NSW rice crop to ensure compliance with the Act.

¹ NSW Government Gazette No. 75, 22 May 2009, p. 2310

There are currently eleven licensed Authorised Buyers and the Board has issued licences to all parties who have applied for an Authorised Buyers Licence, have met the required conditions, and have signed the Authorised Buyers Licence Agreement.

(b) Ensuring the best possible returns on rice sold outside Australia

The Board again commissioned a report which has independently verified the 2017-18 export price premium and freight scale advantage as calculated by the SEEL holder SunRice. The Board also assesses the performance of the SEEL holder through an annual report on its business performance.

Other ways the Board meets its second object are:

- Conducting annual crop audits to ensure that all NSW grown rice is sold to an Authorised Buyer; and
- Monitoring rice exports to ensure they are consistent with the Act.

(c) The members of the Board liaised with NSW rice growers over the past twelve months, in relation to its objects and activities, through the following means:

- Attending the Ricegrowers' Association of Australia (RGA) branch meetings;
- Supporting industry activities including the RGA Annual Conference and rice field days;
- Attending the RGA Rice Leaders Forum in August 2017;
- Attending other regional rice meetings and the rice field days in the Murray-Riverina and Northern Rivers regions;
- Providing information on the Board's website, including Annual Reports, regular news updates, Authorised Buyers contact details, Board policies and the Charters of the Board and Committees;
- Communicating with the President and Executive Director of the RGA on issues relevant to the rice industry;
- Providing regular articles in the RGA newsletter, "Rice Matters";
- Inviting all NSW rice growers to the Board's Annual Meeting held every November; and
- Providing support to NSW rice industry development activities.

Section B

Summary of SunRice's Performance as SEEL Holder

SunRice bought approximately 99% of the 2017 NSW rice crop, which was then milled and marketed during 2017-18. SunRice achieved a net profit after tax of \$45million.² In 2017-18 SunRice, through an appropriate application of the vesting arrangements, achieved an export price premium of \$21.7million.

(a) Independent verification of the 2017-18 Export Price Premium

International rice markets are subject to various government interventions including tariffs, quotas and world trade obligations. In addition, overseas markets have specific preferences as to the variety

² Ricegrowers Limited 2018 Annual Report, p. 55

of rice they prefer³. SunRice's new five year strategy is to maintain NSW rice in the premium markets while supplying high volume low value markets with globally traded rice, for example from Vietnam.⁴

The export price premium is a measure of the performance of SunRice in adding value for NSW rice growers by exporting NSW rice to overseas markets. The export price premium calculation is the difference between the price achieved by SunRice and a benchmark for competitor prices in that market.

Syneca Consulting Pty Ltd was engaged to perform an independent review of the calculation of the export price premium and freight scale advantage for the year ending 30 April 2018.⁵

The verification process is divided into three steps:

- Assessment of the soundness of the methodology adopted by SunRice;
- Verification of the assumed values of the inputs that go into the calculations; and
- Checking the accuracy of the calculations.

Based on the findings of this review, and its own monthly review of SunRice's operational and financial results and position, the Board finds that SunRice as the holder of the SEEL, continues to deliver substantial benefits to NSW rice growers.

The Board can also confirm the existence of other substantial benefits to growers as a result of SunRice holding the SEEL.

The Syneca Consulting report highlighted the following:

- An export price premium delivered to growers of \$21.7million, down from \$26.4million in the previous year;⁶
- A freight scale advantage of \$7.81million (2016-17: \$2.45million) in addition to the export price premium;⁷
- Average rice prices achieved by SunRice reached a maximum in 2016-17 but have declined in the latest year, while the trend in the benchmark competitor price has been a steady rise since 2013-14.⁸
- There has been substantial movement in the export price premium for the various markets over the past seven years. On balance, the export price premium shows no dramatic changes from year to year, and the conclusion drawn by the independent reviewer is that movement does not throw doubt on the export price premium as a valid measure for the performance of SunRice under the SEEL.⁹
- Distortions due to exchange rate fluctuations are not considered significant for the 2017-18 year.¹⁰

³ Syneca Consulting Pty Ltd. Verification of the calculations of the export price premium and freight scale advantage report, 2018, Commercial-in-confidence, p.2.

⁴ Ricegrowers Limited 2018 Annual Report. p. 11

⁵ SunRice's financial year is from 1 May 2017 to 30 April 2018.

⁶ Syneca Consulting Pty Ltd. Verification of the calculations of the export price premium and freight scale advantage report, 2018, Commercial-in-confidence, p. 12

⁷ Ibid, p. 25.

⁸ Ibid. p.17

⁹ Ibid. p.19

¹⁰ Ibid. p.21

(b) Assessment of SunRice in relation to stated objectives

1. Delivery of export price premiums to NSW rice growers

i. Value of export price premium for 2017-18 year

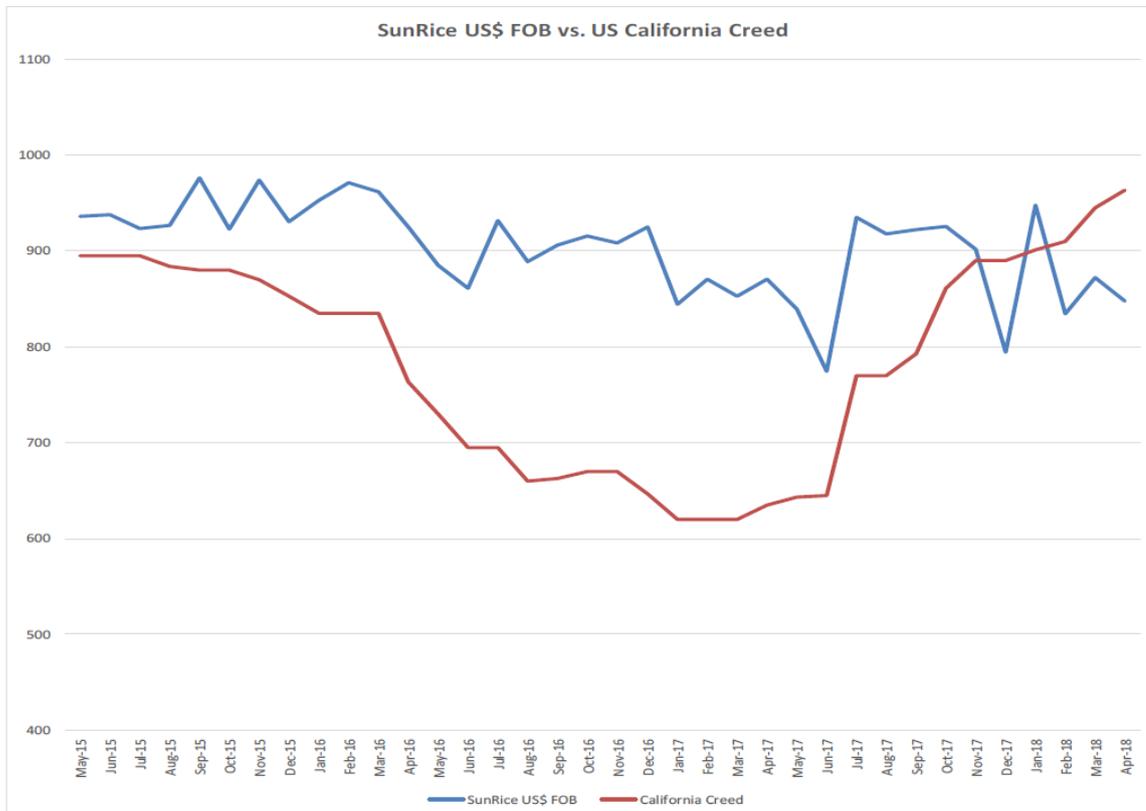
An export price premium of \$21.7million for the 2017-18 year (2016-17: \$26.4million) was achieved by SunRice as the current holder of the SEEL.¹¹

The export price premium is calculated for each of the five major export regions in which SunRice operates. These markets comprise the Pacific Majors (Papua New Guinea (PNG) and Solomon Islands), the Middle East, World Trade Organisation (WTO) Markets (Japan, Taiwan and South Korea), New Zealand, and the Pacific Islands.

The premium is calculated as the difference between the average local SunRice sale price, less the average weighted local competitor sale price, multiplied by the volume sold.

ii. Three year trend of the average Free on Board (FOB) Price

The following graph displays the three year trend of the average FOB price achieved by SunRice Medium Grain rice in export markets (for exported Australian rice) compared to the average FOB Creed Report medium grain price¹². The graph shows that SunRice medium grain has consistently traded above the average Creed Report medium grain until late 2017.



¹¹ Ibid. p.12.

¹² Ricegrowers Limited, SEEL Annual Review Response, September 2018, Commercial-in-Confidence, p.3.

iii. Summary of trends or developments in key markets as reported by SunRice

Due to brand strength, SunRice remained the dominant market player in the Pacific region and in most of the Middle East countries¹³.

World production of rice in 2018 slightly decreased on 2017 production levels (-0.4%)¹⁴ and world markets are at a ten year low.¹⁵ With international trading reduced by the larger 2017 Riverina crop being placed back into key export markets, SunRice's international rice revenue declined by 10% to \$457million.¹⁶ International rice revenue is revenue from rice that is not grown in NSW.

In 2017-18 SunRice signed a memorandum of understanding with An Giang Province in Vietnam to secure access to 10,000 hectares of land for rice production.¹⁷ The SunRice strategy is to secure rice supplies to ensure key markets that demand Riverina rice remain open. Riverina rice is being directed to the highest returning international markets where possible.¹⁸

iv. Demonstration of Freight Scale Advantage to Rice Growers

This measure of benefit of the SEEL refers to freight savings that SunRice can obtain as a result of the current volumes of rice exports and the pattern of trade during the year, and that would not be available to individual rice growers or smaller consortiums. Freight scale advantages arise due to the benefit of delivering larger volumes into export markets thereby lowering delivery costs for NSW rice into export markets.

SunRice produced a total freight scale advantage of \$7.81million (2016-17: \$2.45million) in 2017-18. If volumes were lowered as a result of other exporter participation, the scale advantage that is passed back to growers would be significantly reduced.

The calculation by SunRice of the freight scale advantage was estimated based on discount ranges/indications of the volume discounts provided by six freight companies, and is not based on a specific analysis of actual discounts received. The analysis for freight scale advantage is restricted to container shipping and excludes the Japanese market for which rice is shipped in bulk.¹⁹

v. Demonstration of the Advantages of Scale to Rice Growers

A component of the paddy price for rice grown in NSW and purchased by SunRice is derived from the degree of efficiency in rice-milling. SunRice continues to report to the Board on its milling capacity management. Current NSW milling capacity on a 24/7 basis is 880,000 paddy tonnes. This represents a theoretical utilisation of 70.5% based on the 2017-18 crop size of 620,000 tonnes.²⁰

¹³ Ibid. pp. 5-12

¹⁴ Ibid p.3

¹⁵ Ricegrowers Limited Annual Report 2018, p.2.

¹⁶ Ricegrowers Limited Annual Report 2018 p. 12

¹⁷ SunRice CEO presentation at AGM (20/9/18) <https://www.nsx.com.au/ftp/news/021735778.PDF>

¹⁸ SunRice report at RGA AGM (3/8/18) <https://www.nsx.com.au/ftp/news/021735505.PDF>

¹⁹ Syneca Consulting Pty Ltd, Verification of calculations of the export price premium and freight scale advantage report, 2018, Commercial-in-confidence, p.25

²⁰ Ricegrowers Limited, SEEL Annual Review Response, September 2018, Commercial-in-Confidence, p. 18.

2. Assessment of the ongoing delivery of other secondary benefits provided by the SEEL holder to NSW rice growers

- i. Ability to successfully compete with imported, typically long grain, rice.
 - SunRice's ability to compete against imported long grain and jasmine rice is directly related to the size of the Riverina grown crops of this type.
 - Due to its brand strength in the retail channel, SunRice is able to compete against private labels and command a substantial shelf premium.
- ii. Demonstrated ability to respond to changes in conditions and continue to operate profitably
 - Through the adoption of their corporate strategy, SunRice has seen the demand for products increase significantly over the past few years.
 - Net profit before income tax was \$63million in 2017-18, a 57% increase in profit compared to 2016-17.²¹
- iii. Contribution to Research and Development
 - The majority of SunRice's investment in research and development is managed through their Australian Rice Partnership with AgriFutures and NSW Department of Primary Industries and focuses on rice breeding.²²
 - SunRice continues to provide funding for rice research and development to its subsidiary, Rice Research Australia Pty Ltd.
 - Collaboration continues with other partners, including North Queensland Rural R&D for Profit project, Potential Food Agility CRC Grain Quality project, ACIAR and others.²³
- iv. Buyer of last resort and track record of good returns
 - A condition of the SEEL agreement between SunRice and the Board, is that SunRice be the buyer of last resort. This provides certainty for growers that their NSW crop will be sold if it is of merchantable quality.
 - SunRice has an unbroken record of paying the indicated returns, or better, to growers on or before scheduled payment dates.
 - SunRice again offered fixed price contracts and varietal premiums to Riverina rice growers in 2017-18.²⁴
- v. Operating a transparent pool and regularly updating growers on price trends and payment dates
- vi. Financing of crop at competitive interest rates

²¹ Ricegrowers Limited Annual Report 2018, p. 55

²² Rural Industries Research and Development Corporation (now AgriFutures) Rice Program Five Year RD&E Plan 2016/17 to 2021/22, p.15.

²³ Ricegrowers Limited, SEEL Annual Review Response, September 2018, commercial-in-confidence, p. 2(b)

²⁴ Ricegrowers Limited Annual Report 2018, p.9

- SunRice does not profit from forward finance arrangements as happens in other industries and it currently underwrites these financial arrangements.
- vii. Provision of rice storage
 - Paddy storage is provided by SunRice through its subsidiary, Australian Grain Storage Pty Ltd.
- viii. Pure Seed production and supply to rice growers
 - SunRice operates a quality assured Pure Seed Program to supply registered seed for all commercial rice varieties to growers.
 - Its subsidiary, Rice Research Australia Pty Ltd produces breeders' seed of all varieties for the Pure Seed Program.
- ix. Strength of products and related brands to drive ongoing demand
 - SunRice continues to invest in its brands, through product innovation, and consistent above and below the line support to its branded products to command the premiums achieved in the market.

3. Impact of changes in the availability of water

Reduced water entitlement continues to have an impact on rice production. SunRice has indicated that the impact is twofold: irrigators have less water to grow crops and temporary water prices have escalated in some seasons to make water purchase for rice production unviable. Additional competition for water from other crops, such as cotton and nuts, is adding to the impact.²⁵

4. Market Position

Rice consumption in Australia is growing, being driven by sales in traditional food service channels such as restaurants and sushi chains, and also by favourable immigration trends. SunRice's Australian rice is the market leader in the Australian retail sector.

There has been no material change in the business segments of SunRice during 2017-18.

5. Financial Performance of SunRice²⁶

The SunRice financial statements indicate a strong performance in 2017-18 with an increase in rice pool revenue after a difficult prior year. The Riverina crop size was over 600,000 paddy tonnes. SunRice delivered a net profit before tax of \$63million and growers received \$378.66 per tonne for medium grain Reiziq (2016-17: \$415), affected by increased foreign competition. The rice pool revenue was \$440 million in 2017-18 (before inter-segment eliminations) generated from Australia

²⁵ Ricegrowers Limited, SEEL Annual Review response, September 2018, Commercial-in-Confidence, p. 12.

²⁶ The information in this section is taken from Ricegrowers Limited's Annual Report 2018 including the audited Financial Statements.

(38%), the Middle East (30%), Asia (27%), the Pacific (3%) and other overseas markets (2%). The rice pool revenue is from the milling, marketing and distribution of rice from the Riverina.

i. Income Statement

- Revenue from continuing operations totaled \$1.18billion in 2017-18 (2016-17: \$1.11billion),
- Expenses were \$1.12billion (2016-17: \$1.07billion), in line with higher Australian production,
- Net Profit After Tax was \$45million (2016-17: \$34million), an increase of 32%,
- Results by segment indicate all segments were profitable in 2017-18,
- Dividend paid to B Class shareholders was 33 cents per B class shareholder, (2016-17: 33 cents),
- Earnings per share was 75.9 cents in 2017-18 compared to 61.3 cents in the prior year.

ii. Balance Sheet

- Net Assets were \$434million in 2017-18, an increase of \$29million (2016-17: \$405million),
- Retained earnings increased to \$294million, from \$270million in 2016-17,
- Current Ratio (current assets to current liabilities) decreased to 1.6 (1.9 in 2016-17),
- Return on capital of 15.1% in 2017-18 was up compared to the prior year (2016-17: 10.3%).

iii. Cash Flow

- SunRice's net cash position increased by \$73million during the 2017-18 year (2016-17: \$65million decrease).

iv. Other relevant financial matters for the year to 30 April 2018

- Total liabilities have increased from \$406million in 2016-17 to \$600million in 2017-18
- SunRice's currency exposures are managed under its Treasury policy. The company is compliant with the requirements of the policy.
- Capacity to pay growers for paddy: seasonal borrowing facilities of \$235M to meet grower payments decreased by \$175M compared to the prior year.
- Capacity to pay debt, seasonality of debt, and interest cover: Ability of SunRice to meet financial commitments is tested regularly. All bank loan covenants have been met.
- Interest rate exposures are managed under SunRice's Treasury policy. SunRice is compliant with the requirements of the policy.
- Capital Raisings: A Dividend Re-investment Plan for B-class shareholders occurred in July 2017 and a Grower Share Purchase Plan was launched in September 2017.
- Fixed Asset Management: Capital investments by SunRice during 2017-18 totaled \$22million (2016-17: \$22million).

6. Changes of Board and senior management personnel of SunRice

During the 2017-18 year, Mr Noel Graham retired from the SunRice Board, and Mr Ian Mason joined the Board. Mr John Brennan, Chief Financial Officer left SunRice in 2017-18, and Mr Dimitri Courtelis took up that position.

7. Risk management - competition from other agricultural products

SunRice monitors competition from other summer and winter crops and focuses on a range of initiatives to make rice production as competitive as possible and to encourage Riverina irrigators to make rice their first choice summer crop.

Conclusion

The Rice Marketing Board for the State of NSW continues to deliver against the objectives of the *Rice Marketing Act 1983*, to the benefit of all NSW rice growers.

The Board is confident its administration of the SEEL, and the appointment of Ricegrowers Limited to operate this licence, results in both export price premiums and substantial secondary benefits to rice growers.

The Board will continue to work with the NSW Government and all rice growers to monitor the benefits accruing from the current arrangements.